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From Page:
1A
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Milk prices fall; dairy owners fret

By Angella Joiner
Special to the Reporter-News

The falling price of milk is good news for consumers but not so good for Big Country dairy farmers who are feeling the pinch due to a recent glut in the milk market.

High feed costs, high energy costs and drought conditions are affecting dairy farmers, but supply is up — and that affects the price farmers get from processors.

“We have more milk available to the market than the demand — you have to drop the price,” said John Cowan, the Texas Association of Dairymen’s executive director.

Some believe a milk war is on.

Wednesday, milk prices in Abilene ranged from \$2.49 per gallon at Albertsons and \$2.99 per gallon at United Supermarkets.

Prices are around \$3 to more than \$5 per gallon in stores in Stephenville and Comanche, areas with the largest concentration of dairies in the Big Country.

“You have supply and demand,” said Todd Wilson, assistant market administrator for the USDA Market Administrator’s office in Dallas. “You get too much supply, the price

Please see MILK, Page 8A

Neighbors in the News

Jack Parks

Owner of Lingleville Dairy
Says his son makes a fourth generation dairy farmer in his family and he doubts his family will see a fifth generation dairyman

John Cowan

Executive Director
Texas Association of Dairymen
Says dairy farmers may be hurt as prices of milk dwindle

Todd Wilson

USDA Market Administrator Dallas
Assistant market administrator

Julie Knowles

Assistant executive director
St. James Child Development Center
Abilene

County:
Taylor

91735-01-15_1001





From Page 1A

goes down. When the prices went up, we were in short supply."

Milk buyers are benefiting. The staff of St. James Child Development Center in Abilene is constantly seeking the best milk prices in Abilene, and they are finding some of the lowest prices in recent years.

"We usually buy between 10 and 12 gallons a week for 140 full- and part-time students, so we are always watching," said Julie Knowles, assistant director at St. James CDC. "We usually go to Sam's or United Supermarkets, whichever is cheaper, but no matter what, we have to buy milk."

But lower per gallon milk prices may not be a sign of good things to come for dairy farmers, contends Cowan, who said the recession can be tied back to 2004.

That's when Congress made a move to allocate corn supplies to ethanol. Production costs began to soar for the dairy farmers as corn that would have been used for human or animal consumption went from \$2.50 a bushel to almost \$8 a bushel.

"Because the orderly marketing of milk is tied to the federal milk marketing process, and how processors use the milk determines the value, dairymen have no provisions to raise their prices," he said. "The dairyman is caught in a trap."

Cowan said dairy farmers don't know what price they will get for milk until 60 days after producing it, so all they can do is try to cut production costs in labor and feed as much as possible.

High fuel prices are tied to fertilizer and energy costs, which hit dairy farmers hard, he said, and the market price for February is expected to go even lower.

Cowan said agriculture today is in a very fragile state.

"I'm deeply concerned that the American public has become so conditioned to cheap food prices that they don't realize how close we are to becoming dependent upon foreign countries for food and fiber," he said.

That could result, Cowan said, in far-reaching implications because no foreign country regulates or controls the food supply as much as the United States in regards to safety.

"If you want to give that up and suffer what the Chinese have (with a tainted milk supply), then cheap prices are the way to go," Cowan said. "We may find ourselves looking like a Third World country using milk powder to put milk on the table to drink."

China has been the world's biggest importer of milk powder, but consumer confidence in dairy products has plummeted there.

Even large dairies in Texas are struggling to make ends meet with many losing tens of thousands of dollars each month. Cowan said the only dairy farmers who can sustain that kind of loss are those that have equity in the business or have an established relationship with their lender to weather the storm.

But with those high number losses, the equity is gobbled up quickly, and a dairy farmer can't usually rely on that for long, he said.

Jack Parks, owner of Lingleville Dairy, in its fourth generation, said he doubts his family will see a fifth because his grandsons have chosen other ways of earning a living.

Parks said his grandfather had a dairy in Fort Worth in the late 1920s and early 1930s, bottling his milk to sell door to door.

Times have changed since

then, and although Parks has seen hard times for dairy farmers, he's "never seen it like this."

"It's the worst it's ever been," said Parks, who has been in the dairy business since 1954. "I've never seen it change this quick."

In the summer of 2008, Parks said, milk prices were fairly good at \$18 to \$20 per hundredweight. But in August, prices started plummeting for dairy farmers, even though the cost of production stayed high.

Nova Schouten and her husband, Pete, have a dairy operation in Selden.

"The American consumer is happy to have safe food on the shelf as long as they don't have to pay for it," Nova Schouten said. "They'll force us all out of business."

Schouten said the dairy changes feed rations several times a month to keep costs down. For now, they, too, are depending on equity built up in the business to stay afloat.

"With things like this, I'm thinking maybe we can survive through April," Pete Schouten said. "But when you start losing \$2 or \$3 per cow per day, it doesn't take long to lose everything. There have already been a couple of suicides on large dairies in California."

Cowan said he knew of five dairy farmers that have recently retired herds in central Texas to a privately funded program called Cooperatives Working Together. The program accepts contributions from dairies across the nation to make the herd retirement program possible, he said.

*Big Country Staff Writer
Celinda Emison contributed to
this report.*

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